

15. November 2018

NEXT20

# *Behavior, Bytes & Bricks*

How the Future of Logistics & Retail will change



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Strictly private and confidential



*Behavior*

*Bytes*

*Bricks*

# 1

## Drivers of the industry



*Behavior*

A grayscale, close-up photograph of a person's face, focusing on the eyes and forehead. The person is wearing Google Glass, which is visible as a thin, transparent frame with a small rectangular display unit on the left side of the forehead. The background is dark and out of focus.

**The future** is no longer simply an  
extension of the present

# *Future*

## Digital natives



“When you speak  
to one of us,  
you’re speaking to  
thousands of us”



“When I visit a  
store, I want to  
feel as if I am  
walking into a  
website”



“My favorite  
search engine is  
YouTube”



“I want digital  
convenience at  
work as well”



**ARE CONNECTED  
AND ALWAYS ON**



**WANT DIGITAL  
AND PHYSICAL  
BLURRED**



**LIKE ALL  
THINGS VISUAL,  
TACTILE AND  
INTERACTIVE**



**EXPECT THE  
SAME AT WORK  
THAN IN THEIR  
PRIVATE LIFE**

# Global growth of e-commerce – Changes in logistics

Western Europe +43%

Mid- and Eastern Europe +48%

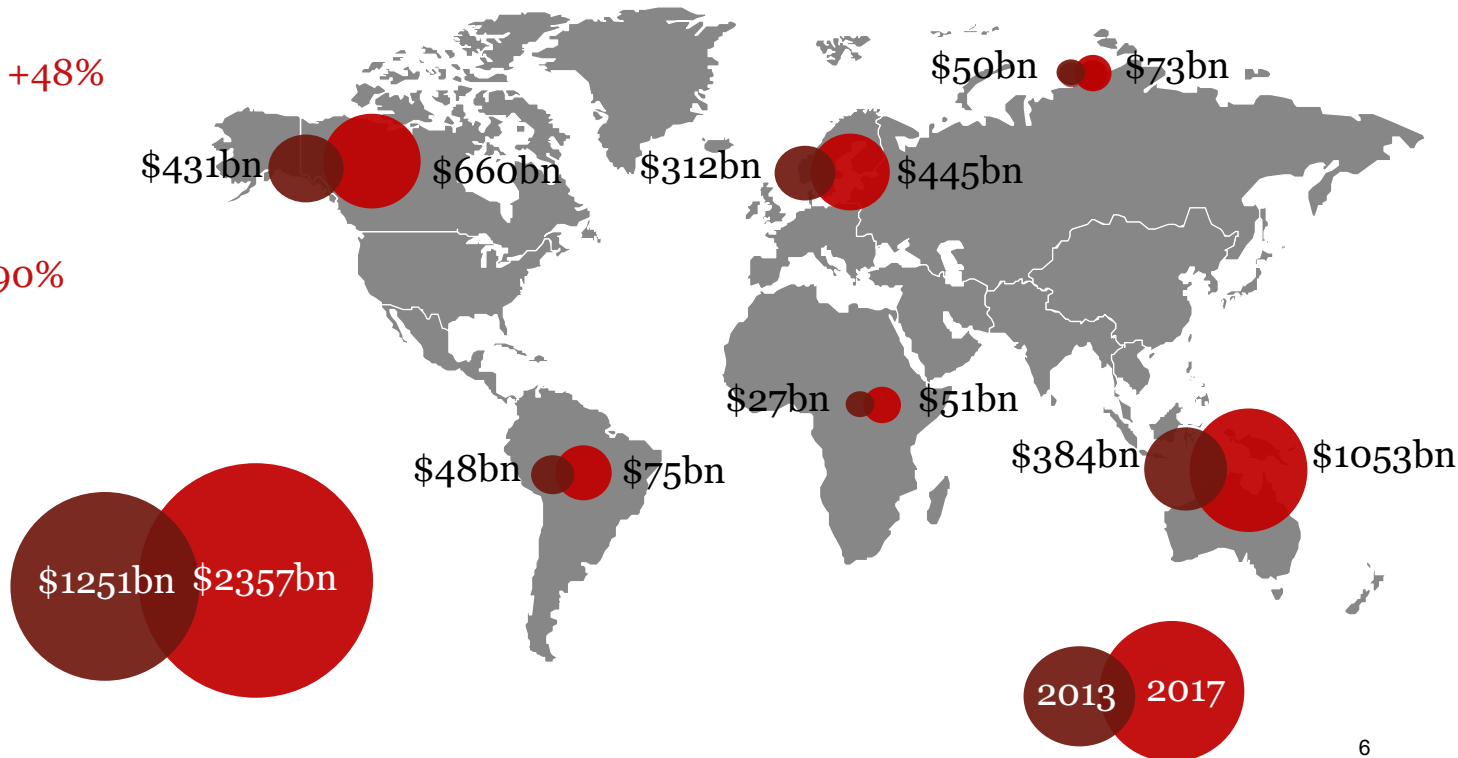
North America +53%

Latin America +55%

Middle East and Africa +90%

Asia/Pacific +174%

Worldwide  
**+88%**



# 2

## Key drivers for logistic & retail



*Bytes*

# *Future shopping*

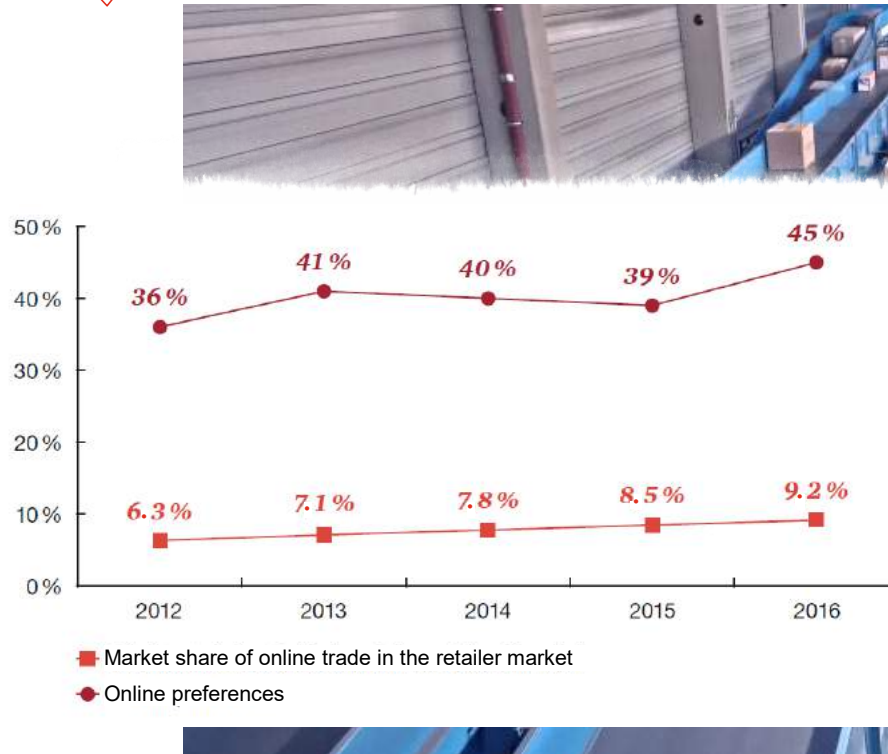




*Future delivery*



# ***Parcel overload*** – The potential market share of online trading is almost five times higher than the current market share



***Traffic congestion*** – Freight traffic represents 20 to 30% of the city traffic, but causes at peak times about 80% of the traffic jams



**Challenges for urban and infrastructure development**



# ***Crowd Logistics / Sharing Economy*** – Delivery of goods to the customer by private individuals



Need something delivered?

SEND WITH SOMEONE WHO IS GOING THAT WAY, ANYWAY

# 3 Market overview: real estate markets



*Bricks*

***Logistics***  
***vs.***  
***Retail***

Logistics real estate  
benefits from the growth of  
e-commerce.

But how does that effect  
retail properties?

## *Retail market development 2018*

*We see that only the  
best located high-street  
properties in the  
strongest markets  
remain stable.*

*Core+ and value-add  
properties show  
increasing yields, thus  
a **decline of value.***

## *Comparison to retail properties*



***Forecast*** – Yields for all kinds of retail properties are expected to increase in the next 5 years which means prices will probably drop down

### ***High street retail***



### ***Non high street retail***





# ***Thesis:*** Logistics properties will partly replace retail in the future



**A new asset class with high potential**

# *Market Update*

## **Emerging Trends in Real Estate Europe 2019**

Creating an impact

**Join the conversation:**  
#ETRE19



# ***Upwards*** – The German market for logistics properties has developed significantly over the past few years

## **Prime yield**



# **4,5%**

All-time low

Rising demand for logistics properties and limited supply of space are leading to rising prices and falling yields.

## **Transaction volume**



# **7,8 Mrd. €**

All-time peak

Since 2012, the logistics real estate sector has been growing at an annual rate of 5.2%

## **Logistics share of commercial property market**



# **15%**

Third popular commercial asset class

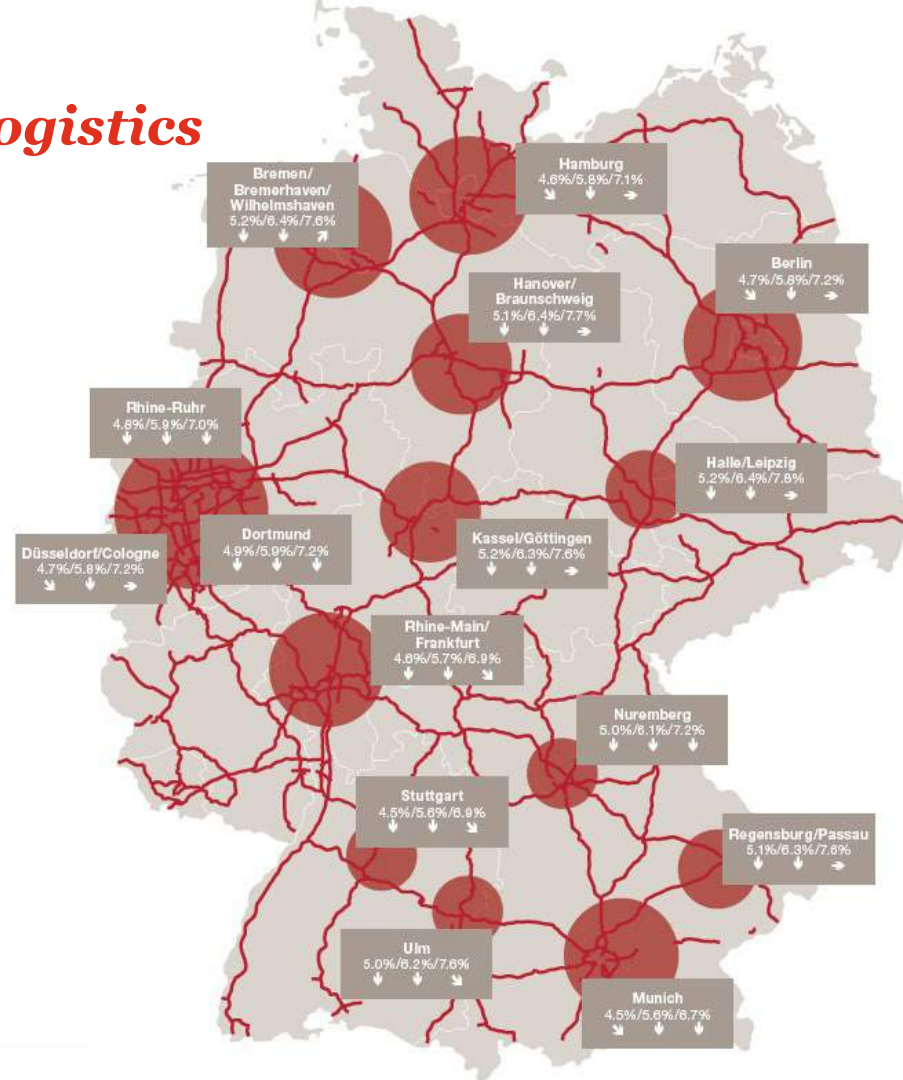
# ***Logistics are more popular than ever for investors***

*Rising **demand** in  
metropol regions*

*Increasing  
**investments** in  
smaller locations*

***New locations** for  
logistics properties  
are emerging*

## ***German logistics regions***



# ***More Deals*** – Increasing volume of transactions in the German logistics sector

**2010**

No.	Name	Purchase Price (in €m)
1	Bavaria-Portfolio	150
2	Esprit Distribution Center	65
3	Rösrather Furniture Center	55
4	OD Distributionscenter	34
5	PCC Daimler Plant Center	34
6	Garbe logistic object	30
7	Air Cargo Center	20
8	WEG logistic center	11
9	DHL-Campus	8
10	Area Köln Ehrenfeld	6

**Summe**

**413**

**2017**

No.	Name	Purchase Price (in €m)
1	Logicor-Portfolio	2,200
2	Hansteen-Portfolio	975
3	IDI-Gazeley-Portfolio	800
4	Gramercy Portfolio	465
5	Frasers Geneba	430
6	Frasers Bluefield-Portfolio	257
7	Azurite-Portfolio	250
8	10 DHL-Delivery Bases	128
9	Amazon Logistic Center	121
10	Palmira	100

**Summe**

**5,726**

## ***Down to earth*** – The German market for retail properties is the flip side of the e-commerce-driven boom in logistic



“The biggest dilemma for everyone in the retail space is, you’ve got to spend to stand still, and that’s not a natural state of mind for a lot of property investors. But if you don’t spend, the outlook is pretty grim.”

“People are underestimating how much online and e-commerce is impacting retail. I think it will be really quite bad. What we’re now looking to do is buy existing retail product, B and C quality shopping centres, and make a return by tearing them down and building new leisure, residential and logistics space on them.”

# *Future Developments*

What is next?



# ***What's the limit?*** - DHL MegaHub with 23-floors, c. 85,000 sqm lettable area and a 15-storey ramp for trucks in Hong Kong.





# ***This is no car park*** - Multistorey logistics properties get more and more popular in major cities around the world

## **Example Osaka (Japan)**

Especially  
in major  
Asian cities  
multilevel  
logistics  
buildings  
are state of  
the art.



# ***Europe is lagging behind*** - German state of the art is Amazon's new citylogistics centre in Munich. Quite a difference to Hong Kong and Osaka...

## **In Europe, vertical solutions are still rare**

Two multi-storey logistics buildings in Paris and one in Munich.

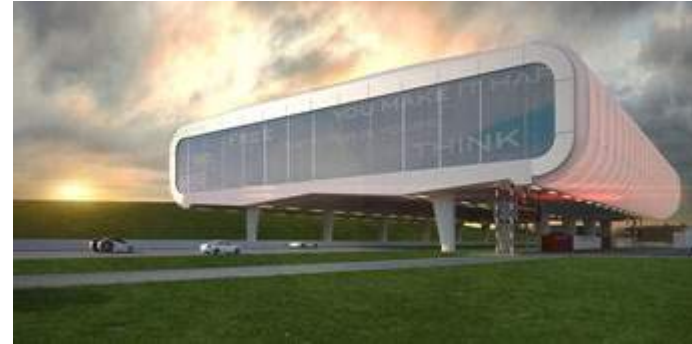
U.K. offers one multi-storey warehouse at Heathrow. The development of a three-storey warehouse in London has started.



### **Today**

Two storey city logistics property in Munich of AMAZON

### **Tomorrow !?**



***100 Mio €***

Where to invest?

# Experienced. Global. Connected.

## PwC's Real Estate Network

### **Susanne Eickermann-Riepe, FRICS**

Head of German Real Estate, Partner, PwC  
Member of Global & EMEA Leadership Team  
Board Member at RICS Germany  
Board Member at ICG Germany



With offices in 158 countries, our global network has over 5,000 real estate specialists...



...ready to offer you with end-to-end support for your real estate opportunities



#### **Strategy, Mgmt and Operations**

PwC advises investors, fund managers, corporates, property companies, real estate portfolio managers and the public sector.



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PwC offers business tailor-made concepts for transactions. Our specialists are there to support you during transactions and ensure all processes are transparent.



#### **Valuation**

Interdisciplinary PwC teams are on hand to determine real estate values and draw up value management systems and valuation processes, giving their support to organizations on all real estate issues.



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Whether it's a question of optimizing your property portfolio, building new production or administrative blocks or finding a new location, PwC can advise you on all the economic and technical issues.



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PwC can help leverage value into financing and in this way increase the success of your company. We respond to unique project and customer requirements with specific project team selection & tailor-made solutions.



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PwC's global real estate tax teams work closely across the network to support our clients navigate the regulatory and reputational issues associated with tax while seeking efficiency for our clients.



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PwC Legal can help you in all legal areas concerning real estate, especially in transactions, real estate development, tenancy and construction law as well as public building law.



#### **Audit**

With a long history and unparalleled experience, PwC's audit teams possess competency, integrity and industry expertise. They draw on an international real estate network but still ensure that clients' needs are addressed on an individual and local approach.

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# Thank You.